MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BGO 3124 – GLOBAL OPERATIONS MANAGEMENT

(All Sections / Groups)

22 OCTOBER 2018
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **THREE** (3) pages with **FOUR** (4) questions only.
2. Attempt **ALL** questions.
3. All questions carry equal marks and the distribution of the marks for each question is given at the end of question.
4. Please write all your answers in the **Answer Booklet** provided.

QUESTION 1

Amazon.com Inc is bringing its competition with Alibaba right to the Chinese e-commerce giant's backyard. In the coming weeks, Amazon will host an event in the city of Hangzhou – Alibaba's hometown to connect online merchants with 400 Chinese manufacturers keen to sell electronics, car parts, home goods and more directly to American and European consumers. Amazon experts will provide insights into buying trends so merchants can stock up for the 2018 holiday season, according to an invitation reviewed by Bloomberg. Sponsored by Amazon Global Selling, the event is called "Coming Together For U". The gathering is part of Amazon's effort to evolve from an e-commerce platform into a global logistics operation. The idea is to help Amazon merchants connect directly with manufacturers in China, a region largely out of the company's reach. Amazon would collect fees for helping merchants source goods directly from factories and ship them to other countries so they can be delivered quickly once orders roll in. Speedy delivery helped Amazon dominate e-commerce in the US, and the company wants to do the same globally to fend off Alibaba Group Holding Ltd, eBay Inc and Wish Corp.

Source: Amazon brings cross-border ambitions to Alibaba's backyard. (2018). The Star Online. Retrieved from https://www.thestar.com.my/tech/tech-news/2018/05/17/amazon-brings-cross-border-ambitions-to-alibabas-backyard/#Y4PHE3CgdvlFe8sz.99

a) What is international logistics and materials management? Highlight **FIVE** (5) factors differentiate domestic and international materials management. (13 marks)

b) Based on the case, evaluate **FOUR** (4) strategies being implemented by Amazon. (12 marks)

(Total: 25 marks)

QUESTION 2

Following its huge success in Asia, Fast Retailing is now bringing its Uniqlo store to the home market of its key rival H&M. Asia's largest clothing chain said Wednesday that it would launch a new store in Stockholm, marking its first entry into the Nordic region. The launch comes as Fast Retailing has seen its sales grow rapidly outside of Japan, driven by strong demand in other parts of Asia. While it has struggled in the US, the group has steadily been building its presence in European markets in London, Paris, Berlin. Last year, it also entered Spain, the home market of its rival Inditex. Shares in Fast Retailing have risen nearly 8 per cent after the company last week reported a 10 per cent year-on-year boost to quarterly revenue, driven by the success of its international markets.

Source: Uniqlo to open first store in Sweden. (2018). The Financial Times Online. Retrieved from https://www.ft.com/content/69f19658-941c-380b-9610-2ae8b89d5433

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a) What are the essential location decisions faced by international operations managers such as Uniqlo? What country features and product related characteristics influence the decision of where to locate an international facility? (13 marks)

b) Describe **TWO** (2) basic strategies or factors for locating international production facilities. When is it better to centralize production and when is it better to decentralize production? Highlight **FIVE** (5) points for each. (12 marks)

(Total: 25 marks)

QUESTION 3

Inditex, the world's largest clothing retailer and owner of the Zara chain, faces growing competition from younger, online-only players like Boohoo.com and Missguided. Its rivals are churning out clothes at higher speeds, as little as one week from design to point of sale, refreshing their sites daily with hundreds of new items. In an attempt to keep its edge, the Spanish company is developing new technologies, hooking up with tech firms and hiring talent from start-ups. The success or failure of such efforts could help determine whether Inditex can adapt to the changing landscape of apparel retail, where Amazon is set to overtake Macy's as the biggest seller of clothing to Americans. Inditex has an innovation unit, led by former telecoms engineer Alejandro Ferrer and startup founder David Alayon, but has previously revealed little about its work. The unit is testing ways of improving stock handling. It has hooked up with California-based Fetch Robotics to test robots to work in stock inventory, the company said. It has also partnered with chipmaker Intel on creating devices that can quickly gauge the volume of clothing in boxes.

Source: Zara looks to technology to keep up with faster fashion. (2018). The Star Online. Retrieved from https://www.thestar.com.my/tech/tech-news/2018/06/18/zara-looks-to-technology-to-keep-up-with-faster-fashion/#LzuJctig7YX4GKJj.99

a) Why should supply quality be considered in supplier selection decisions? (5 marks)

b) How do firms decide whether or not to outsource? Using Inditex as example, describe the factors that contribute to the decision to internalize or externalize their business activities. (10 marks)

c) Explain how global sourcing can contribute significantly to Inditex's ability to achieve its strategic goals. Why is "achievement of strategic goals" actually the best rationale for global sourcing? (10 marks)

(Total: 25 marks)

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QUESTION 4

As of early fall, it was clearer than ever that production problems meant Apple Inc wouldn't have enough iPhone Xs in time for the holidays. The challenge was how to make the sophisticated phone with advanced features such as facial recognition in large enough numbers. As Wall Street analysts and fan blogs watched for signs that the company would stumble, Apple came up with a solution: It quietly told suppliers they could reduce the accuracy of the face-recognition technology to make it easier to manufacture, according to people familiar with the situation. With the iPhone X set to debut on Nov 3, we're about to find out whether the move has paid off. Some analysts say there may still be too few iPhone Xs to meet initial demand. Ming-Chi Kuo of KGI Securities predicts Apple will have two to three million handsets available on launch day and 25 million to 30 million units for the holiday quarter, down from his previous forecast of 40 million. For comparison, Apple sold 78 million phones during the same period last year, although that included all models. Apple is famously demanding, leaning on suppliers and contract manufacturers to help it make technological leaps and retain a competitive edge. While a less accurate Face ID will still be far better than the existing Touch ID, the company's decision to downgrade the technology for this model shows how hard it's becoming to create cutting-edge features that consumers are hungry to try.

Source: Inside Apple's struggle to get iPhone X to market on time. (2017). The Star Online. Retrieved from https://www.thestar.com.my/tech/tech-news/2017/10/30/inside-apples-struggle-to-get-iphone-x-to-market-on-time/#TirKPpZfCEtjevLS.99

a) What are the advantages to Apple to standardize its production facilities? (10 marks)

b) Explain the process of facilities location planning. What issues must companies consider while selecting the location for their production facilities? (15 marks)

(Total: 25 marks)

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